HOUSING MARKET OUTLOOK
Greater Sudbury CMA

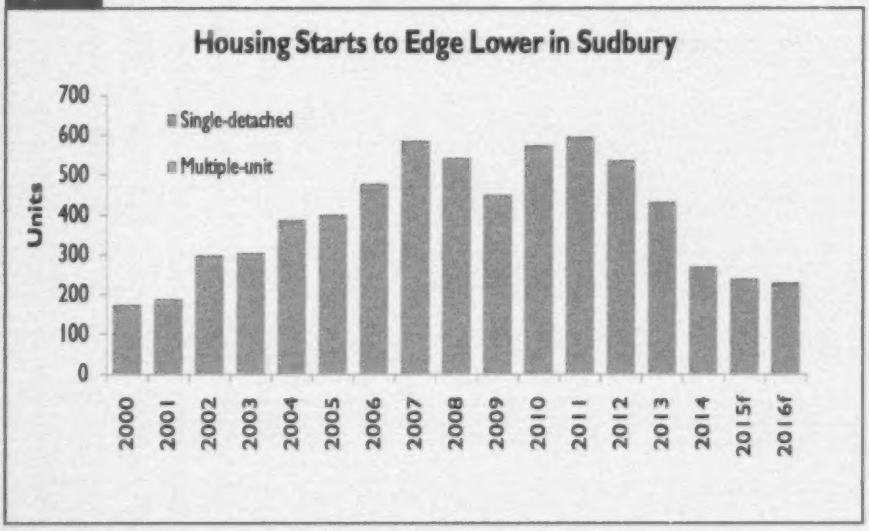
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2015

Highlights

- Total housing starts will trend lower this year and next.
- Resale market will favour home buyers.
- Rental supply to grow faster than demand, raising the vacancy rate.

Figure 1



Source: CMHC (Starts Survey); f= CMHC Forecast

The forecasts and historical data included in this document reflect information available as of April 20, 2015.

Table of Contents

1 Highlights
2 New Home Market: Housing Construction to Edge Lower
2 Existing Home Market: Resale Market to Moderate
2 Rental Market: Supply Grows Faster than Demand
3 Economic Trends: Job Growth to Stay Flat
4 Mortgage Rate Outlook
5 Trends at a Glance
5 Forecast Risks
6 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

New Home Market: Housing Construction to Edge Lower

Housing starts in the Greater Sudbury Census Metropolitan Area (CMA) will continue to moderate due to ongoing weak growth in jobs and population. Housing starts are forecast to total 240 units in 2015 and 230 units in 2016.

The cooling resale market will keep demand for new single-detached homes low. Single-detached housing starts will drop to 150 units in 2015 from 172 units in 2014 and remain at that level in 2016. The high price for new single-detached homes will shift demand towards the relatively more affordable new homes in the multiple-unit sector. Multiple-unit starts will edge lower as well and remain close to the average of the past twenty years. The number of semis, rows or apartments under construction was high at the beginning of 2015. Most of these units were rental rows and apartments started in the second half of 2013. In Sudbury the average length of construction has been about 15 to 18 months for rows and apartments in the past two years. More rental units will come into the market in the first half of 2015 and put upward pressure on the already high vacancy rate. The higher vacancy rate will likely keep rental starts low.

Both starts and completions of single-detached homes have been decreasing over the past several years, indicating that demand is not strong. The weak demand in Sudbury will keep the growth of the average and median new single-detached home prices in line with the rate of inflation in 2015 and 2016.

Existing Home Market: Resale Market to Moderate

The resale market in Sudbury will become more favourable to buyers in 2015 and 2016. Home buyers will see more homes listed for sale. Total home sales will decline by nearly five per cent to 2,050 units in 2015 and another 3.4 per cent in 2016 to 1,980 units (Figure 2).

The pool of first-time home buyers has been shrinking. Slow job growth in the 25-44 age group has been restraining demand for resale homes since 2011. Employment among workers aged 25-44 years dropped by 0.3 per cent annually during the same period. Although total employment between 2011 and 2014 grew by an average annual rate of 0.4 per cent, employment growth has been concentrated among workers aged 55 years or more who are less likely to be first-time home buyers.

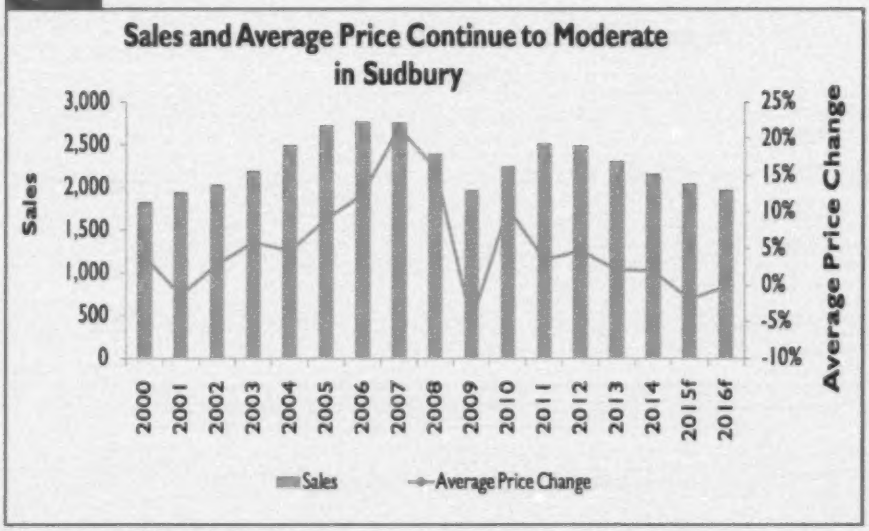
With the growth of new listings outpacing that of sales, the inventory in the resale market will continue to grow. Resale homes will stay on the market longer. There will be more pressure on sellers to adjust their asking prices lower. The average resale price will drop by 1.9 per cent in 2015 and move down slightly by 0.2 per cent in 2016.

Resale homes in Sudbury will become more affordable in 2015 and 2016 thanks to lower prices, modest growth in income, and continuing low mortgage rates (Figure 3). The average required income for homeownership will account for a slightly smaller share of the average household income in 2015 and 2016 compared to 2014.

Rental Market: Supply Grows Faster than Demand

The vacancy rate in Sudbury is forecast to trend up gradually in 2015

Figure 2



Source: CREA(MLS®); f=CMHC Forecast
MLS® is a registered trademark of the Canadian Real Estate Association

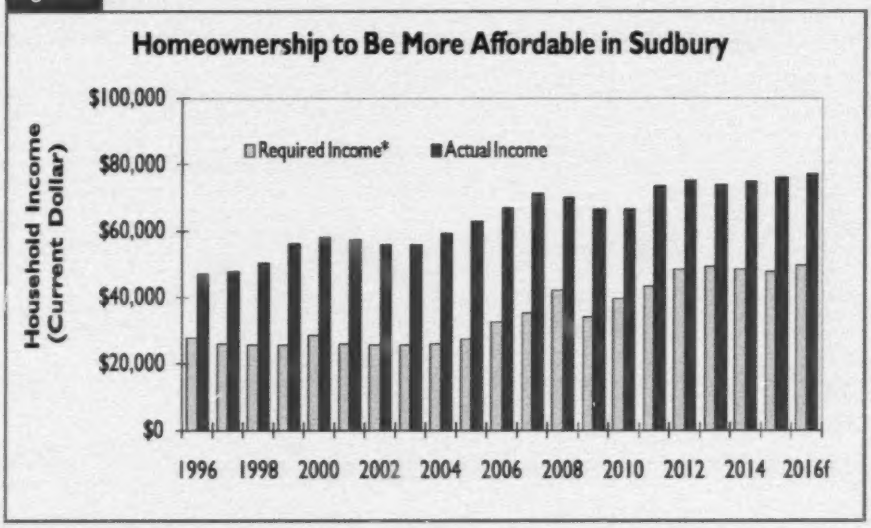
and 2016 as rental supply growth will outpace the growth in demand. The average vacancy rate for rental apartments will move up to 4.3 per cent in 2015 from 4.2 per cent in 2014 and 4.6 per cent in 2016.

There were a total of 232 rental units under construction in the first quarter, near the historical high of the past twenty years. Of these, 197 were rental apartments and 33 were rental row houses.

Rental demand will continue to moderate as a result of slow growth in younger households. The aging of the population and slower migration means that there are fewer households headed by someone younger than 45 in Sudbury. Moreover, the declining mortgage rate has boosted the ownership rate among younger households. The limited rental demand from younger households has offset some of the increase in demand from the growing number of one-person households. More than half of the demand for rental in Sudbury comes from one-person households. They made up 28 per cent of total households in Sudbury but accounted for slightly more than half of total rental households in 2011. The most recent census showed that growth in one-person households is coming mainly from the older age groups.

The average rent for two bedroom apartments in Sudbury will increase slightly faster in 2015 by 2.5 per cent to $950 due to the arrival of more new rental units, which traditionally carry higher rents. In 2016, the average two bedroom apartment rent is expected to increase by 1.6 per cent to $965.

Figure 3



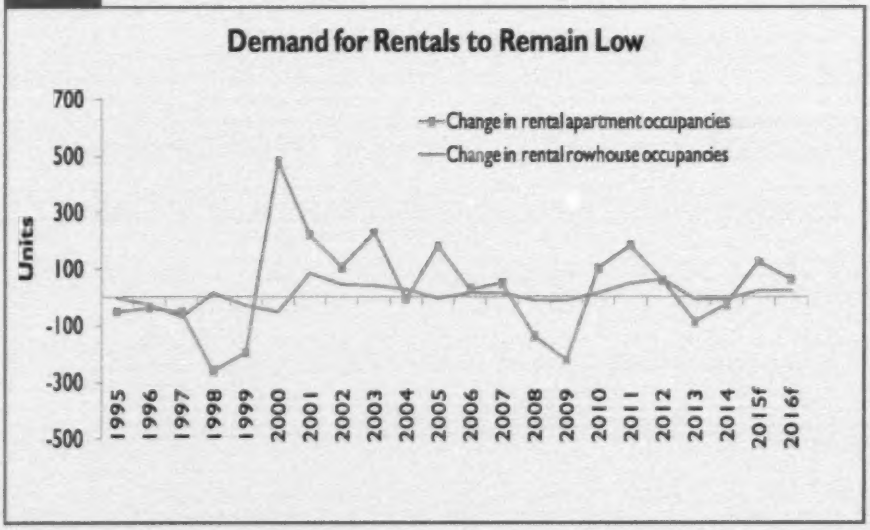
Source: CMHC, Statistics Canada, CREA
*Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage carrying costs are calculated based on a 10 per cent down payment, the posted fixed five year mortgage rate and the longest available amortization for a mortgage.

Economic Trends: Job Growth to Stay Flat

All of Sudbury's job growth has occurred in the service sector since 2011. Employment in service sector has increased by about 5,000 jobs, while in the goods-producing sector employment has declined by 4,000 between 2011 and 2014.

The slowdown in the local housing market has reduced job opportunities in the construction sector. In addition,

Figure 4



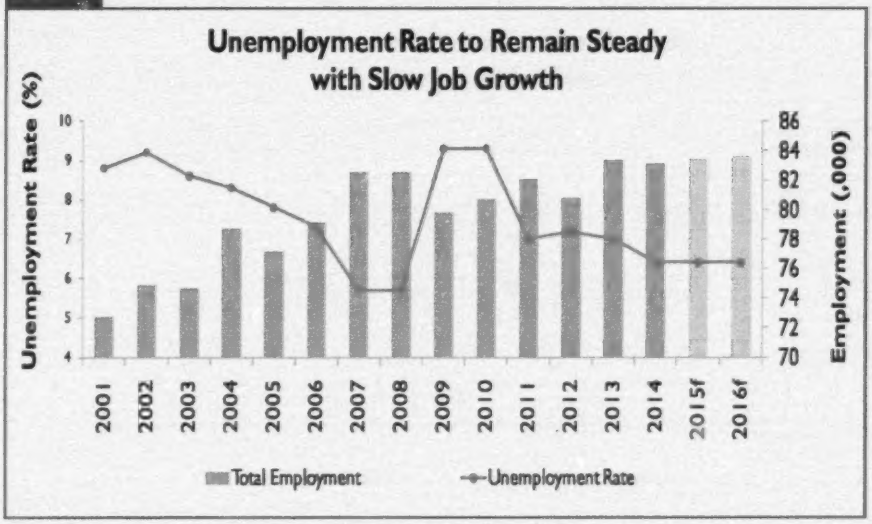
Source: Statistics Canada; f=CMHC Forecast

mining has become more capital intensive, employing fewer workers. Thus employment in goods-producing sector has been declining. Meanwhile, the increase in employment in the service sector shows that Sudbury continues to strengthen its position as the Northeastern Ontario regional business centre. Significant jobs gains occurred in fields like health care and social assistance, trade, accommodation and food services and educational services.

The surging value of non-residential building permits in the past two years will ultimately lead to further growth in employment in the health and education sectors. However, despite the higher non-residential construction, job growth in construction, one of the major areas of the goods-producing sector, will slow. In fact, the large drop in residential building permits value has offset the increase in non-residential building permits value. The total value of building permits in 2014 was 17 per cent lower than in 2009, when the value of residential building permits was at a peak.

With the expected modest gains in employment, the unemployment rate is forecast to remain stable. The labour force is expected to increase at a similar modest pace due to the slow growth in population, especially in the working age population, and a relatively stable participation rate in the labour market.

Figure 5



Source: Statistics Canada; f=CMHC Forecast

Mortgage Rate Outlook

Mortgage Rates Are Expected to Remain at or Close to Current Levels over the Forecast Horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Mortgage rates		
1 Year	Q1 2015	2.97
	Change from Q1 2014	-0.17
	2014	3.14
	2015 (F)	2.30 to 3.50
	2016 (F)	2.40 to 4.00
5 Year	Q1 2015	4.76
	Change from Q1 2014	-0.40
	2014	4.88
	2015 (F)	4.00 to 5.50
	2016 (F)	4.20 to 6.20

Source: Bank of Canada, CMHC Forecast
NOTE: Mortgage rate forecast is based on Q1 2015 data

Trends at a Glance

Key Factors and Their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to remain at or close to current levels over the forecast horizon.
Employment	Employment growth in Sudbury will remain weak in 2015 and 2016.
Income	Average weekly earnings in Sudbury are expected to grow modestly over the forecast horizon.
Population	Slower net migration as well as a low birth rate will result in sluggish population growth and continue to dampen demand for housing in Sudbury.
Resale Market	The resale market in Sudbury is expected to favour buyers in 2015 and 2016.
Rental Market	The expected increase in the average vacancy rate will slow the starts of more rental units.

Forecast Risks

This outlook is subject to some risks, including:

- While lower oil prices are a net positive globally, global growth in the first quarter has disappointed. There is risk of a period of protracted global economic weakness and slow, possibly negative, price growth.
- Growth in Emerging Market Economies (EMEs) could disappoint. In China, economic growth projections have been revised downwards closer to 7%.
- While a soft landing in the housing market remains the most likely scenario, near record-high house prices and debt levels relative to income leave households vulnerable to adverse shocks. A disorderly unwinding of household sector imbalances, should it materialize, could have sizable negative effects on other parts of the economy and on inflation.
- An upside risk to our outlook is a stronger than expected growth in the United States since it would benefit Canadian exporters and likely drive greater-than-expected housing demand.

Forecast Summary Greater Sudbury CMA Spring 2015							
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	294	208	172	150	-12.8	150	0.0
Multiples	242	223	99	90	-9.1	80	-11.1
Semi-Detached	48	28	36	30	-16.7	30	0.0
Row/Townhouse	29	7	40	15	-62.5	20	33.3
Apartments	165	188	23	45	95.7	35	-22.2
Starts - Total	536	431	271	240	-11.4	230	-4.2
Average Price ($):							
Single-Detached	383,665	427,291	444,246	451,000	1.5	458,000	1.6
Median Price ($):							
Single-Detached	369,900	422,950	439,900	446,500	1.5	453,000	1.5
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	1.3	0.9	0.4	0.6	-	0.6	-
Resale Market							
MLS® Sales	2,478	2,308	2,156	2,050	-4.9	1,980	-3.4
MLS® New Listings	4,177	4,448	4,718	5,100	8.1	4,950	-2.9
MLS® Average Price ($)	240,312	245,307	249,960	245,200	-1.9	244,800	-0.2
Rental Market							
October Vacancy Rate (%)	2.7	3.4	4.2	4.3	0.1	4.6	0.3
Two-bedroom Average Rent (October) ($)	915	914	927	950	2.5	965	1.6
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	80,800	83,300	83,100	83,400	0.4	83,600	0.2
Employment Growth (%)	-1.6	3.1	-0.2	0.4	-	0.2	-
Unemployment rate (%)	7.2	7.0	6.4	6.4	-	6.4	-
Net Migration	221	167	91	100	9.9	100	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, YouTube and Flickr.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2015 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

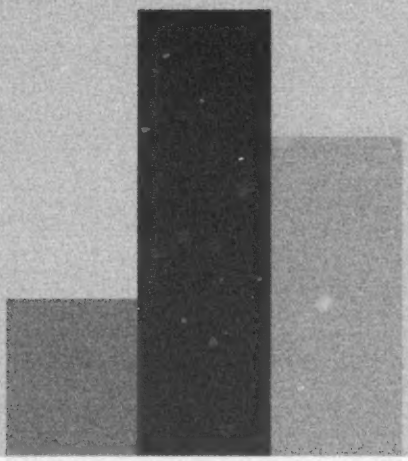
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

HOUSING MARKET INFORMATION PORTAL

The housing data you want, the way you want it

Information in one central location.

Quick and easy access.

Neighbourhood level data.

cmhc.ca/hmiportal

65724_2015_B01